# Enheat Limited

## Annual Report '75

Formerly Enamel + Heating Products Ltd.

# Shareholders

| | |
|---|---|
| British Columbia | 20 |
| Alberta | 8 |
| Saskatchewan | 6 |
| Manitoba | 7 |
| Ontario | 170 |
| Quebec | 167 |
| New Brunswick | 157 |
| Nova Scotia | 72 |
| Prince Edward Island | 5 |
| Newfoundland | 4 |
| Northwest Territories | 1 |
| Canada | 617 |
| United States | 19 |
| Other Countries | 1 |
| Total | 637 |

# Contents

# Directors & Officers



**BOARD OF DIRECTORS**

ROBERT ABRAHAM,
*Vice-President,*
Structal Inc.,
Quebec , P.Q.

JOHN N. COLE,
*Vice-Chairman,*
Wood Gundy Securities Ltd.,
Montreal, P.Q.

KENNETH DINHAM,
*Vice-President,*
Airco Products Ltd.,
Vancouver, B.C.

JACQUES LAVIGUEUR,
*President,*
Lavigueur Assurances Inc.,
Quebec , P.Q.

DONALD R. SOBEY,
*President,*
Empire Co. Ltd.,
Stellarton, N.S.

MICHEL TASSÉ
*Vice-President*
Fertek Inc.,
Montreal, P.Q.

MICHEL VENNAT,
*Lawyer,*
Stikeman, Elliott, Tamaki
Mercier & Robb,
Montreal , P.Q.

JEAN-PIERRE WARREN,
*President,*
Enheat Limited,
Sackville, N.B.

PIERRE WARREN,
*Chairman of the Board,*
Enheat Limited,
Sackville, N.B.

**SENIOR OFFICERS**

RODNEY BUY
*Vice-President*
Aircraft Division

KENNETH DINHAM
*Vice-President*
Airco

JOHN K. FARRAR
*Vice-President*
Fawcett Division

WALTER OAKE
*General Manager*
Steel Division

MICHEL VENNAT
*Secretary*

JEAN-PIERRE WARREN
*President*

PIERRE WARREN
*Chairman of the Board*

MICHAEL D. WRIGHT
*Vice-President, Finance and Treasurer*

**AUDIT COMMITTEE**

J. N. Cole — *Chairman*
Donald R. Sobey
Jean-Pierre Warren

**HEAD OFFICE**

Sackville, New Brunswick
Tel. 506/536-1520
Telex No. 014-2289

**BANKERS**

The Royal Bank of Canada
Sackville, New Brunswick
Vancouver, British Columbia

**TRANSFER AGENTS**

Montreal Trust Company
Montreal, Quebec

Central & Nova Scotia Trust Company
Moncton, New Brunswick

**REGISTRARS**

Canadian Trust Company
Montreal, Quebec

Central & Nova Scotia Trust Company
Moncton, New Brunswick

**AUDITORS**

Touche Ross & Co.
Saint John, New Brunswick
Vancouver, British Columbia

**STOCK LISTINGS**

Montreal Stock Exchange

# Letter from the President

**Jean-Pierre Warren**
**President**

1975 has been a disappointing year for your company in many areas.

Combined with the generally depressed state of the economy, Enheat has been particularly affected by the reduction in housing starts and the fall in construction, resulting in lower sales in the Airco, Fawcett and Steel Divisions.

The Management Team has made every effort to reduce the adverse effects of such a drop in revenues by the reduction of inventories, the deletion of unprofitable product lines and by aggressively pursuing sales opportunities. We have also made considerable reductions in manpower and have actively sought other opportunities to reduce costs and to remain competitive with Canadian and overseas manufacturers.

We continue to maintain our company's long-established reputation for quality in all Divisions. In line with this objective, considerable effort has been devoted to upgrading our equipment and the technical ability of our employees.

The outlook for 1976 is for some improvement in the national economy and we expect to show a general increase in sales and revenue over 1975. Due in part to the seasonal nature of the construction and heating industries, sales volume will remain below normal for the first six months with improvement indicated for the second half of the year.

I wish to express my personal appreciation to Management, the Directors and all our Employees for their efforts during 1975 and I look forward with them to a better 1976.

Jean-Pierre Warren

Jean-Pierre Warren
President

# Airco Division

**Kenneth Dinham**
**Vice-President, Airco**

Airco Products Limited, a wholly owned subsidiary of Enheat Ltd., serves the domestic warm air heating industry in Western Canada. Airco's manufacturing facilities are located in Richmond, British Columbia, with General Offices and major distribution outlets in Vancouver. A number of warehouses are maintained in the regional centres of Alberta and British Columbia.

Airco has both Research and Development facilities at the main plant in Richmond, which enable the Company to maintain its fine reputation and product leadership in the warm air heating industry.

## Products and Distribution

Among the many products manufactured in the Richmond plant are gas, electric and oil warm air furnaces, metal fittings of every description for the installation of the units, plus registers and grilles.

The distribution system, in addition to marketing products manufactured by Airco, offers a complete range of allied equipment, such as water heaters, venting systems for all types of fuel, electronic air cleaners, heating controls and air conditioning units. Airco Branches are stocked to suit the regional requirements, and are maintained and controlled by the Central Offices in Vancouver.

## Outlook

In the past 25 years, Airco has shown steady growth in unit sales, dollar sales and market penetration. This growth continued throughout the first half of 1974 but slackened off somewhat during the latter months due to the substantial cutback in domestic housing starts. As forecast for 1975, this downward trend continued for the first eight months. During the last four months the situation reversed, and the year end was considerably better than forecast in dollars, in sales, and in profitability.

1976 is not expected to be a banner year. However, some growth in sales volume can be anticipated.

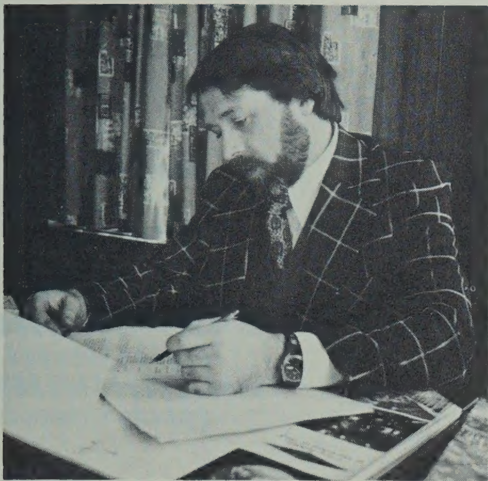
# Historical Synopsis

*(dollars in thousands except amounts per share)*

| | 1975 | 1974 | 1973 | 1972 | 1971 |
|---|---|---|---|---|---|
| **For the year** | | | | | |
| Sales | **12,808** | 15,833 | 13,480 | 11,739 | 11,078 |
| Net earnings (loss) | **(215)** | 708 | 350 | 98 | 359 |
| Cash flow | **226** | 1,406 | 816 | 311 | 785 |
| Dividends paid on "A" Shares | **22** | 66 | — | 44 | — |
| Return on equity (loss) | **(4.3%)** | 13.4% | 7.6% | 2.3% | 8.6% |
| Capital expenditure | **122** | 593 | 556 | 144 | 47 |
| **Per share** | | | | | |
| Net earnings (loss) | | | | | |
| "A" Shares | **(.72)** | 2.60 | 1.39 | .53 | 1.42 |
| "B" Shares | **(.72)** | 2.10 | .89 | .03 | .92 |
| Cash flow | **.75** | 4.77 | 2.77 | 1.05 | 2.66 |
| Dividends paid on "A" Shares | **.125** | .375 | — | .25 | — |
| Equity | **16.73** | 17.88 | 15.56 | 14.35 | 14.19 |
| **Year end position** | | | | | |
| Total assets | **11,251** | 12,042 | 11,161 | 9,688 | 8,814 |
| Working capital | **2,017** | 2,597 | 1,894 | 1,742 | 1,688 |
| Shareholders' equity | **5,057** | 5,274 | 4,590 | 4,232 | 4,185 |
| Employees | **485** | 671 | 644 | 655 | 625 |
| Shareholders | **637** | 678 | 666 | 715 | 741 |
| "A" Shares outstanding | **177,000** | 177,000 | 177,000 | 177,000 | 177,000 |
| "B" Shares outstanding | **125,200** | 118,000 | 118,000 | 118,000 | 118,000 |
| **Ratios** | | | | | |
| Working capital | **1.43** | 1.54 | 1.38 | 1.45 | 1.56 |
| Inventory turnover | **2.75** | 2.41 | 3.12 | 3.39 | 3.58 |
| Accounts receivable turnover | **4.75** | 7.06 | 5.2 | 5.5 | 5.8 |

# Financial Section





**Michael D. Wright**
**Vice-President, Finance**

The financial results of the company's 1975 operations show a decrease of 19% in sales volume and a loss for the year of $215,000.

Due to general economic conditions and declining revenue, management reduced costs wherever possible and made every effort to improve the effectiveness of assets. Inventories were reduced by over $1 million and manpower was adjusted to production requirements.

As an additional factor in 1976, the Federal Government's Anti-Inflation legislation will govern the company's negotiations with union employees, our product price structure and our profit margin.

We enter the current year with a much larger backlog of orders than in 1975 and can look forward, optimistically, to a considerably improved financial situation during 1976.

# Auditor's Report

The Shareholders,
Enheat Limited.

We have examined the consolidated balance sheet of Enheat Limited and its subsidiary companies as at December 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co
Chartered Accountants.

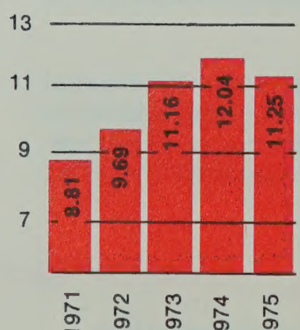
Saint John, N.B.,
March 9, 1976.

# Balance Sheet

## ASSETS

| | December 31 1975 | 1974 |
|---|---|---|
| | (thousands) | |
| **Current assets** | | |
| Receivables | $ 2,697 | $ 2,242 |
| Inventories — Note 2 | 3,964 | 5,103 |
| Income taxes recoverable | 15 | |
| Prepaid expenses | 32 | 29 |
| | 6,708 | 7,374 |
| **Other assets** | | |
| Deferred charges | 3 | 4 |
| **Fixed assets** | | |
| Property, plant and equipment — Note 3 | 4,540 | 4,664 |
| | $11,251 | $12,042 |

**TOTAL ASSETS**
*(millions of dollars)*

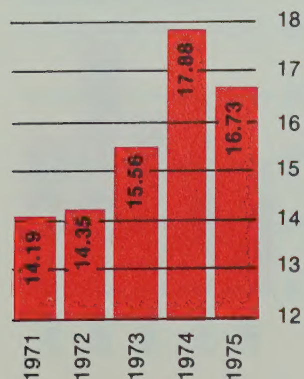


## LIABILITIES AND SHAREHOLDERS EQUITY

| | December 31 1975 | 1974 |
|---|---|---|
| | (thousands) | |
| **Current liabilities** | | |
| Bank loans — Note 4 | $ 2,838 | $ 2,956 |
| Accounts payable | 1,484 | 1,606 |
| Income taxes payable | | 93 |
| Current maturities | 369 | 122 |
| | 4,691 | 4,777 |
| Warranty reserve | 50 | 50 |
| Long-term debt — Note 5 | 1,000 | 1,374 |
| Deferred income taxes | 453 | 567 |
| **Shareholders equity** | | |
| Common shares — Note 6 | 1,050 | 1,030 |
| Contributed surplus | 122 | 122 |
| Retained earnings | 1,721 | 1,958 |
| Appraisal increase | 2,164 | 2,164 |
| | 5,057 | 5,274 |
| | $11,251 | $12,042 |

On behalf of the Board:
Jean-Pierre Warren, President
Jack Cole, Director

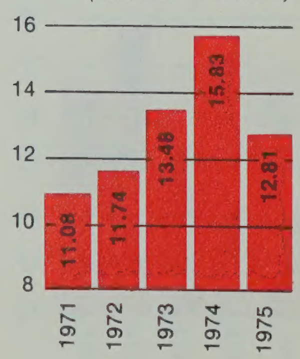
**EQUITY PER SHARE**
*(dollars)*



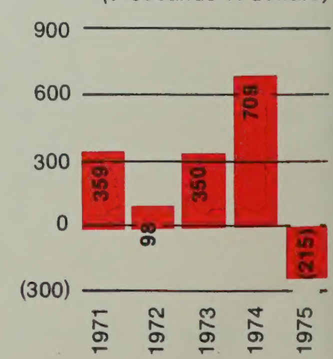
# Earnings

| | Year Ended December 31 1975 | 1974 |
|---|---|---|
| | (thousands) | |
| **Sales and revenue** | | |
| Net sales and operating revenue | $12,808 | $15,833 |
| **Cost and expenses** | | |
| Cost of sales and operating expenses | 10,894 | 12,286 |
| Selling and administrative expenses | 1,638 | 1,616 |
| Depreciation | 226 | 288 |
| Interest on long-term debt | 82 | 86 |
| Other interest | 322 | 369 |
| | 13,162 | 14,645 |
| Loss (earnings) before income taxes | 354 | (1,188) |
| Income taxes — Note 8 | (139) | 480 |
| Loss (earnings) | $ 215 | $ (708) |
| Loss (earnings) per share "A" | 0.72 | (2.60) |
| "B" | 0.72 | (2.10) |
| **Retained earnings** | | |
| Opening balance | $ 1,958 | $ 1,316 |
| Loss (earnings) | 215 | (708) |
| | 1,743 | 2,024 |
| Cash dividends paid | 22 | 66 |
| Closing balance | $ 1,721 | $ 1,958 |

SALES
(millions of dollars)




EARNINGS
(thousands of dollars)

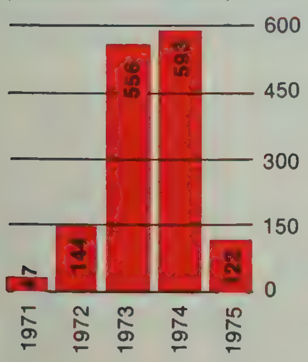


# Changes in Financial Position

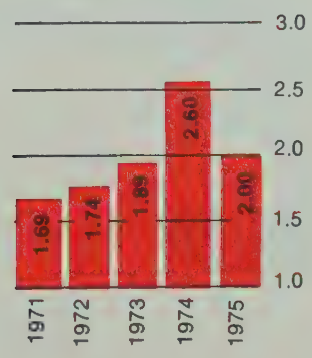


| | Year Ended December 31 1975 (thousands) | 1974 |
|---|---|---|
| **Source of working capital** | | |
| Net earnings | $ | $ 708 |
| Depreciation | 226 | 288 |
| Amortization of deferred operating costs | | 15 |
| Deferred income taxes | | 345 |
| Warranty reserve | | 50 |
| Funds provided from operations | 226 | 1,406 |
| Share capital issued | 20 | |
| Government grant — Note 1 | 13 | 42 |
| Disposal of fixed assets | 8 | 6 |
| | 267 | 1,454 |
| **Application of working capital** | | |
| Loss | 215 | |
| Transfer from deferred income taxes | 114 | |
| Funds applied to finance operating losses | 329 | |
| Property, plant and equipment | 122 | 593 |
| Long-term debt reduction | 374 | 92 |
| Dividends on class "A" shares | 22 | 66 |
| | 847 | 751 |
| **Working capital** | | |
| Increase (decrease) during year | (580) | 703 |
| Opening balance | 2,597 | 1,894 |
| | $2,017 | $2,597 |

**CAPITAL EXPENDITURES**
*(thousands of dollars)*




**WORKING CAPITAL**
*(millions of dollars)*



# Notes to the Consolidated Financial Statements



1. ACCOUNTING POLICIES

The following is a summary of the major accounting policies used in the preparation of financial statements and other data presented in this report.

Principles of consolidation

The consolidated financial statements include the accounts of the company and those of its wholly owned subsidiaries, Mitchell Manufacturing Limited and Airco Products Limited.

Rounding

All dollar amounts, except statutory information, are presented to the nearest $1,000.

Depreciation

Depreciation is determined at rates which will reduce original cost to estimated residual value over the useful life of each asset. Depreciation on the majority of property, plant and equipment is computed on the diminishing balance method using the following rates:

| | |
|---|---|
| Buildings | 5% to 10% |
| Machinery and other equipment | 20% |
| Automotive equipment | 30% |

Buildings and equipment acquired in recent years are depreciated on a straight-line basis at rates which are designed to write off the assets over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 40 years |
| Machinery and other equipment | 10 to 20 years |

Depreciation has not been provided on the value of the appraisal increment.

All material profits and losses resulting from disposal of property, plant and equipment are included in earnings when realized and the carrying value of such assets is removed from the accounts.

Maintenance and repairs

Maintenance and repairs are charged to earnings as incurred. Renewals and replacements of a routine nature are also charged to earnings while those expenditures which improve or extend the useful life of assets are capitalized.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Government assistance

Government grants received during the year have been credited to the respective asset accounts. These will be amortized to income at the depreciation rates appropriate to the assets for which they have been provided.

In previous years the amounts of Government grants received were credited directly to Contributed Surplus and have not been amortized.

Income taxes

The company follows the tax allocation method of accounting for income taxes. Under this method, timing differences between reported and taxable income (which occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) result in deferred or prepaid taxes.

2. INVENTORIES

| | December 31 | |
|---|---|---|
| | 1975 | 1974 |
| | (thousands) | |
| Raw materials | $1,950 | $2,172 |
| Work in process | 603 | 502 |
| Finished goods | 1,411 | 2,429 |
| | $3,964 | $5,103 |

### 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and the related accumulated depreciation are classified as follows:

| | 1975 | | | 1974 |
|---|---|---|---|---|
| | December 31 (thousands) | | | |
| | Cost and Appraised Value | Accumulated Depreciation | Net | Net |
| Land | $ 163 | $ | $ 163 | $ 163 |
| Buildings | 2,887 | 735 | 2,152 | 2,177 |
| Machinery and other equipment | 4,742 | 2,556 | 2,186 | 2,277 |
| Automotive equipment | 158 | 119 | 39 | 47 |
| | $7,950 | $3,410 | $4,540 | $4,664 |

Property, plant and equipment are shown as appraised by Canadian Appraisal Company Limited on the basis of depreciated replacement value as at December 31, 1954, plus subsequent additions at cost, less disposals. An analysis of the appraisal increment is as follows:

| | 1975 | | | 1974 |
|---|---|---|---|---|
| | December 31 (thousands) | | | |
| | Cost | Appraisal Increment | Total | Total |
| Land | $ 125 | $ 38 | $ 163 | $ 163 |
| Buildings | 1,291 | 1,596 | 2,887 | 2,884 |
| Machinery and other equipment | 4,212 | 530 | 4,742 | 4,654 |
| Automotive equipment | 158 | | 158 | 173 |
| | $5,786 | $2,164 | $7,950 | $7,874 |

### 4. BANK LOANS

The bank loans are secured by a general assignment of book debts under section 86 of the Bank Act, as well as by assignment of inventories under section 88.

### 5. LONG-TERM DEBT

| | December 31 1975 | 1974 |
|---|---|---|
| | (thousands) | |
| $4^3/_4$% Sinking Fund Debentures, Series A, maturing April 1, 1976 | | |
| Authorized and issued $1,250,000 less purchased for redemption. The balance of the issue is due to be redeemed on April 1, 1976 | $ 307 | $ 394 |
| 6% Sinking Fund Debentures, Series B, maturing September 1, 1984 | | |
| Authorized and issued $1,250,000 less purchased for redemption | 1,047 | 1,072 |
| Sinking fund payments of $50,000 are due September 1 in each of the years 1976 and 1977 and of $100,000 in each of the years 1978 to 1983 | | |
| Note payable — Crown Assets Disposal Corporation payable in full in 1976 plus interest at 12% per annum | 15 | 30 |
| | 1,369 | 1,496 |
| Less: current maturities | 369 | 122 |
| | $1,000 | $1,374 |

Sinking fund requirements and debt maturities during the next five years are as follows:

| | | | |
|---|---|---|---|
| 1976 | $356,500 | 1977 | $ 50,000 |
| 1978 | 100,000 | 1979 | 100,000 |
| 1980 | 100,000 | | |

6. COMMON SHARES

Authorized — Class "A" — 250,000 shares without par value
— Class "B" — 250,000 shares without par value

| | December 31 1975 | 1974 |
|---|---|---|
| | (thousands) | |
| Issued — Class "A" — 177,000 shares (1974 — 177,000) | $ 810 | $ 810 |
| — Class "B" — 125,200 shares (1974 — 118,000) | 240 | 220 |
| | $1,050 | $1,030 |

During the year, the company issued 7,200 Class B shares at $2.75 per share to an officer under the terms of a stock option agreement entered into during 1974.

Options on 8,000 Class B shares remain exercisable at $2.75 per share until December 31, 1976.

Fully diluted loss per share (1974 earnings per share) are as follows:

| | 1975 | 1974 |
|---|---|---|
| Class A | $0.70 | $(2.53) |
| Class B | $0.70 | $(2.03) |

7. ANTI-INFLATION LEGISLATION

(a) The company is subject to the Federal Government's Anti-Inflation Legislation which became effective October 14, 1975. This legislation limits increases in prices, profits and compensation.

(b) The Anti-Inflation Legislation restricts the annual dividend to a maximum 71 cents per Class A share and 21 cents per Class B share in the twelve month period ending October 13, 1976. The restriction that will apply to dividend payments subsequent to October 13, 1976 has not yet been announced by the Government.

8. INCOME TAXES

| | Year Ended December 31 1975 | 1974 |
|---|---|---|
| | (thousands) | |
| Provision for current taxes | $ | $135 |
| Income taxes recoverable | (25) | |
| Transfer to deferred income taxes | | 345 |
| Transfer from deferred income taxes | (114) | |
| | $(139) | $480 |

9. STATUTORY INFORMATION

Depreciation recorded in the accounts for the year was $225,778 (1974 — $287,697).

Parent company

The Board of Directors consisted of nine members. Their aggregate remuneration as Directors was $1,600 (1974 — $3,000).

The Board appointed seven officers to serve during the year. Their aggregate remuneration was $138,384 (1974 — $90,836).

Three persons who served as officers also served as Directors.

Subsidiary company

The Board of Directors consisted of five members. No remuneration was paid to any member as a Director.

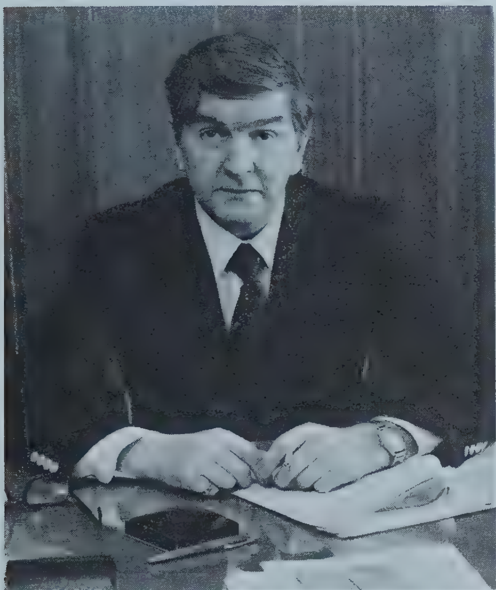
The Board appointed four officers to serve during the year. Their aggregate remuneration was $105,000 (1974 — $95,000).

10. AIRCO PRODUCTS LIMITED

Airco Products Limited has outstanding lease obligations expiring in 1985 requiring annual payments of $69,000 before taxes.

# Aircraft Division





**Rodney Buy**
**Vice-President, Aircraft Division**

The Aircraft Division, situated in the Town of Amherst, Nova Scotia, with 165,000 sq. ft. of plant space, manufactures aircraft components for the aviation industry and at the same time maintains a Repair and Overhaul capability (airframe) for both Defence and Commercial customers.

## Products and Applications

This Division manufactures a variety of assemblies and sub-assemblies which includes complete aft fuselage sections, wing spoilers, horizontal stabilizers and vertical fins and rudders, elevators and ailerons. We supply these components to aircraft manufacturers such as Boeing, Douglas, DeHavilland, Lockheed and Grumman for use on both Military and Commercial Aircraft.

## Manufacturing and Quality Control

We have fully equipped Sections for Machining and Fabrication, Metal Bonding, a Process Finish Section for Plating and Finishing, a Tool Room, a Metallurgical and Chemical Laboratory, Aircraft Assembly and Planning Sections. All of these operations combine to produce the high quality components which are required by the industry.

Our Quality Control Program (designed around and in compliance with DND 1015, the Q.C. Specification for Defence Products) conducts specific tests and applies measurement criteria to assure the high degree of reliability demanded. Quality is our business.

## 1975 Results

The Aircraft Division net sales increased by 25% over the 1974 total invoiced-shipped sales figure. This was accompanied by an improvement in the profitability of the operation.

During the year some major reorganizational changes were made, along with some important physical improvements to our offices and plant layout. As a result of these changes we are moving towards a more efficient operation within an improving and developing environment.

Upgrading and modernization of a hitherto unused office building was completed and a School is now being conducted, under the direction of the Nova Scotia Department of Education, for Aircraft Assembly, which provides a one-year course in basic techniques for aircraft assemblers.

### Outlook

Now that the decision on the new Long Range Patrol Aircraft for the Canadian Forces has been made, we expect a fall-off in Repair and Overhaul work for the about-to-be displaced "Argus" aircraft. This reduction in R & O has begun and will accelerate towards the end of 1976, and will continue until that aircraft has been replaced by the Lockheed "P3/LRPA". Additional and alternative Repair and Overhaul business for other CAF aircraft has been gained to help offset the phase-out of the "Argus".

It is expected that the R & O work for the CAF on the Grumman "Tracker" aircraft will continue for 1976 and in all probability for several years ahead.

The Division has successfully negotiated (in co-operation with Weber Aircraft of Burbank, California) for new work for cabin interiors of the DeHavilland Dash 7 STOL aircraft. We feel this is a significant development as it encourages us to expand our technology into the field of Commercial Aircraft cabin interiors (a field hitherto supplied almost exclusively by imports). The discipline involved also lends itself to exploitation of other markets than aviation.

Little growth is foreseen in the world economy affecting Aircraft Sales. However, it is expected that the Aircraft Division will maintain our present level of Defence business in 1976, and increase our penetration into the field of Commercial Aviation.

# Fawcett Division



**John K. Farrar**
**Vice-President, Fawcett Division**

The Fawcett Division, with an area of 176,000 square feet of manufacturing and warehousing space is situated in Sackville, N.B.

Plant facilities include machinery and equipment for light to medium gauge steel fabrication, welding, enameling and a cast iron foundry currently for proprietary lines. A complete line of galvanized items is produced for use in the installation of ducted warm air and ventilating systems for residential and commercial buildings. A warehouse is located in Halifax, N.S. for distribution of our complete product range in this trading area. Fawcett sales personnel effectively cover the four Atlantic Provinces. In recent years our prime market area has been the Atlantic Provinces and Quebec. Mass merchandisers sell several of our models, some of these on a national basis, both through retail stores and catalogue sales.

## Products

This division's manufactured product lines are primarily related to the domestic consumer and house building industry — Oil Fired Warm Air Furnaces, Solid Fuel and Oil Ranges, Oil Space Heaters, Electric Water Heaters and cast iron Franklin Stoves. Additional white goods or appliances are purchased from reputable manufacturers, with the Fawcett name applied, to provide a complete product line for the Fawcett dealers. These items are Electric Ranges, Refrigerators, Freezers, Washers and Dryers. This policy permits our sales organization to market a totally related, consumer-oriented line of quality Fawcett-branded items.

New consumer products developed during 1975 include a wood-burning solid fuel space heater. This item was introduced during the last quarter and has been well accepted in the market place.

Early in 1976 another solid-fuel heater will be available for use as an addition to existing oil- or gas-fired warm air furnaces.

These two new products are most timely in view of the increasing costs of fossil fuels and energy generally.

We will continue the evaluation and analysis of existing products for any possible improvements in energy conservation, performance and appearance.

## Outlook

As forecast, 1975 housing starts during the first three quarters were somewhat slower than that period in 1974. In the Fawcett Division, we are projecting an increase in our sales volume and improved profitability for 1976.

# Steel Division

**Walter Oake**
**General Manager, Steel Division**

The Steel Mill Division in Amherst, N.S. occupies thirteen acres and provides 145,000 square feet of building space to house the production, maintenance and fabricating departments. All production facilities are housed in modern steel buildings with overhead cranes. These buildings have been erected during the last eleven years.

The Mill's facilities include a Scrap Storage and Processing Yard, an Electric Furnace Melt Shop, a Metallurgical Laboratory, a Rolling Mill and storage and handling facilities for semi-finished steel. The Mill specializes in the production of reinforcing bars for concrete construction. A major part of the bar production is transferred to an adjacent fabricating department where this steel is processed to architect's and contractor's specifications. All production facilities are supported by a Maintenance Department and an Engineering Group.

## Review

As a reflection of the drastic slump in the Canadian economy, sales and earnings declined sharply in 1975. During these depressed conditions, we had the opportunity to correct many problems in this Division such as manning (hourly), re-organizing our management people, and materials control.

## Outlook

It is felt that the entire economy should experience an upswing in the second half of '76 with an even brighter outlook for 1977. As a result, the Steel Division is expected to be in a better sales/earnings position as conditions improve.

## AIRCO PRODUCTS LTD.

SALES
$3.13 million
PRODUCTS:
— Warm Air Furnaces
— Registers
— Metal Fittings
PLANT SPACE
75,000 sq. ft.
NUMBER OF EMPLOYEES
74
LOCATION
Vancouver, British Columbia

## STEEL DIVISION

SALES
$2.52 million
PRODUCTS
— Reinforcing Steel
— Plain Rounds
PLANT SPACE
145,000 sq. ft.
NUMBER OF EMPLOYEES
108
LOCATION
Amherst, Nova Scotia

## FAWCETT DIVISION

SALES
$4.05 million
PRODUCTS
— Oil & Electric Ranges
— Warm Air Furnaces
— Ductwork
— Franklin Heaters
PLANT SPACE
176,000 sq. ft.
NUMBER OF EMPLOYEES
140
LOCATION
Sackville, New Brunswick

## AIRCRAFT DIVISION

SALES
$3.10 million
(80% Government 20% Commercial)
PRODUCTS
— Aircraft Components
— Repair and Overhaul
PLANT SPACE
165,000 sq. ft.
NUMBER OF EMPLOYEES
163
LOCATION
Amherst, Nova Scotia